

ORIGINAL

Decision No. 73095

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the TAMARISK WATER COMPANY, for authority to increase rates for water service in the vicinity of Cathedral City, Riverside County.

Application No. 49194
Filed March 9, 1967

Schlesinger, Schlecht & McCullough, by
Robert A. Schlesinger, for applicant.
Mrs. John D. Curtis, Jr., Phyllis B. Thomas, Freda Allender, and John Holbert Wilson, in propria personae; and Phil Mayer, in propria persona and for Da Vall Estates, protestants.
Frank E. Hurd, for Tamarisk Country Club Property Owners Association, interested party.
Edward C. Crawford and Chester O. Newman, for the Commission staff.

O P I N I O N

By this application Tamarisk Water Company seeks authority to increase its rates for metered service to residences at Tamarisk Country Club and in its vicinity in the area, about one mile east of Cathedral City, Riverside County, shown on the map, Exhibit No. 8, filed at the hearing. According to applicant's estimates, the increase would amount to approximately \$10,000 per year; according to Commission staff estimates, the increase would amount to about \$18,000 on a gross annual basis.

On March 30 and 31, 1967, the company mailed a notice of the application comparing the present and proposed rates to each of its customers soliciting comments to the Commission. Of the total of approximately 450 customers, eight responded to the notice objecting to the proposed increase because of, in most instances, complaints of low pressure and sand in the water system.

Public hearing was held before Examiner Warner on August 8, 1967, at Palm Springs. Some customers objected to a midsummer hearing and requested continuance into November 1967 in order to permit their attendance. It was explained by the presiding officer that the Commission's hearing schedule was maintained on a full year basis; many matters were pending before the Commission; the application had been on file since March 1967; the Commission staff had just completed its investigation of the application; and due to the financial character of the application, if rate relief need were substantiated, any delay would redound adversely not only to the applicant, but eventually to the consuming public in the company's inability to maintain adequate service standards. About eight customers appeared at the hearing to protest the water pressures in the Sunny Lane, Papaya Lane and Pomegranate Lane section west of Da Vall Drive where there has been a low pressure problem for many years. A director and shareholder in Da Vall Estates Cooperative, containing 20 units, complained of sand which clogged dishwasher strainers. The president of the Tamarisk Country Club Property Owners Association requested that the Commission staff report, Exhibit No. 2, be mailed to all customers for study and review, and he requested an adjourned hearing in November for all customers to appear and be heard. He also complained of sand in dishwashers.

Applicant's general manager testified that only approximately 30 percent of the customers were absent from the area, and the record shows that all customers were notified of the hearing. The request for continuance was denied.

By Decision No. 68376, dated December 22, 1964, in Case No. 7993, J. H. Wilson, et al. vs. Tamarisk Water Company, the defendant therein and applicant herein, was ordered to install an 8-inch pipeline in Da Vall Road to make the system completely circulating, to develop and equip a standby well, and install storage facilities. The record shows that said decision has been complied with except the installation of standby and storage facilities. The record further shows that service conditions have greatly improved and service complaints would be almost completely eliminated if a new well were drilled, and a pump driven by a natural gas engine were installed therein. The location of said installation would be just outside the north central portion of the service area, on the east side of Palm View Road, north of Cypress Lane. The capacity would be about 1,200 gallons per minute on a constant basis; the use of the natural gas engine would eliminate surges and would maintain constant operating pressures; the operation of the natural gas engine would be more economical than electric-driven facilities now installed on pumps in Wells Nos. 1 and 2 subject to power outages caused by flash floods and lightning storms. Sixty thousand dollars is the estimated cost of this installation which would substitute for the standby facilities' installation required by Decision No. 68376, supra.

Applicant's present rates were established by Decision No. 54281, dated December 18, 1956, in Application No. 38075. The following tabulation compares monthly charges under the present

rates with those proposed in the application, and with the rates hereinafter authorized:

Comparison of Monthly Charges

Monthly Consumption	Present Rates	Proposed Rates	Authorized Rates
500 cu.ft.	\$ 2.00	\$ 3.00	\$ 2.15
2,000 cu.ft.	6.00	7.50	5.75
4,000 cu.ft. ^{1/}	10.00	13.50	10.55
10,000 cu.ft.	19.50	26.50	20.95
25,000 cu.ft.	39.50	51.50	42.95

^{1/} Average consumption per customer month.

The results of operation for the year 1967 as estimated by the applicant and by a Commission staff engineer, at both present and proposed rates, are shown in the following tabulation. The adopted results of operation for the year 1967 estimated at the rates authorized herein are also shown.

Results of Operation

Item	Year 1967 Estimated				
	Present Rates Applicant	Proposed Rates Exhibit 2	Proposed Rates Applicant	Proposed Rates Exhibit 2	Adopted
Operating Revenues	\$ 50,000	\$ 52,000	\$ 60,000	\$ 70,000	\$ 56,200
Operating Expenses	27,120	25,110	27,120	25,110	25,380
Depreciation	7,850	8,150	7,850	8,150	8,150
Taxes	6,700	6,440	9,330	12,010	7,660
Subtotal	41,670*	39,700*	44,300	45,270	41,190
Net Revenues	8,330*	12,300	15,700*	24,730	15,010
Rate Base	179,100	214,400	179,100	214,400	214,400
Rate of Return	4.6%	5.7%	8.8%	11.5%	7.0%

* Excludes interest included by applicant.

The difference in estimates of operating revenues is attributable to different estimating methods employed; the applicant having based its estimate on the ratio of the actual sales for the first six months of the years 1964, 1965 and 1966 to annual sales; the staff having made a projection of customer use based on 1966 data.

Applicant's estimate of purchased power expense was based on an annual projection of electric power costs; likewise, the staff estimate was so based, but the record shows that natural gas purchased power costs would reduce this annual expense. The staff estimate of employees' salaries was based on a salary of \$550 per month for the field man with a portion capitalized, whereas the applicant's estimate was based on his salary of \$575 per month, which would become effective September 1, 1967, all of which was charged to operating expense.

Applicant included interest as an operating expense; the staff excluded it as such.

Applicant did not consider the effect of Investment Tax Credit in computing income taxes.

The staff rate base estimate of \$214,400 includes a provision of \$60,000 for the well site, well, pump, and natural gas engine at the new location heretofore discussed.

Neither the applicant nor the staff computed State Corporation Franchise Taxes at the new rate of 7 percent adopted by the 1967 Legislature.

The Commission finds as follows:

1. Applicant is in need of financial relief, but the rates proposed in the application would produce an excessive rate of return.

2. Applicant has installed sand traps to reduce or eliminate sand being introduced into the system from its wells; air relief valves have been installed to eliminate air which had been accumulating in a high portion of a cul-de-sac main; a weekly main flushing program has been established; the system is completely circulating, and the requirements of Decision No. 68376, dated December 22, 1964, in Case No. 7993, have been complied with, except the installation of standby pumping equipment and a storage tank. Service conditions have improved.

3. Applicant plans to drill a well in which will be installed a natural gas engine-driven pump with a production capacity of 1,200 gallons per minute. The cost will be approximately \$60,000. This installation will eliminate the requirement of Paragraph 2 of Decision No. 68376 for standby equipment and a storage tank. Service conditions will be further improved.

4. The staff estimate of operating revenues and expenses for the year 1967, at present and proposed rates, is reasonable and accurate, except that the estimate of employees' salaries should be \$575 per month and State Corporation Franchise Tax expense should be computed at 7 percent.

5. The staff's recommended rate base, and rate of return of 7 percent therein, is reasonable.

6. Applicant's request to equalize monthly minimum charges for 5/8 by 3/4-inch and 3/4-inch meters, in order to simplify accounting, and its request for no reduction in monthly minimum charges for larger sized meters are reasonable.

7. The increases in rates authorized hereinafter are just and reasonable and insofar as they differ from present rates, the latter are unjust and unreasonable.

The Commission concludes that the application should be granted in part and denied in part, and the applicant should be authorized to file a new schedule of rates for metered service which will produce gross annual revenues of approximately \$56,200 which will be an increase of \$4,200 over the staff's estimate of revenues at the present rates.

It is further concluded that the applicant should be directed to immediately proceed with the drilling of the well and installation of the pump and natural gas engine contemplated, and that the order hereinafter authorizing the increase in rates should be conditioned upon the completion of said installation and a report to the Commission in writing thereof.

Finally, it is concluded that ordering paragraph 2 of Decision No. 68376 should be rescinded upon the receipt of the report of the completion of new installation.

O R D E R

IT IS ORDERED that:

1. Tamarisk Water Company shall immediately drill a well and install a natural gas engine-driven pump therein at the location and in the manner described in the foregoing opinion and shall, within ten days after the completion thereof, report to the Commission, in writing, its compliance herewith.

2. When the report required by Paragraph 1 of this order has been received, the Commission, by supplemental order, will authorize the filing of the schedule of rates for metered service attached

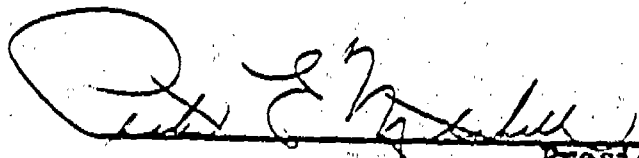
hereto as Appendix A, which will produce the estimated results of operation heretofore set forth in the opinion hereof. Also, ordering paragraph 2 of Decision No. 68376 will then be rescinded.

3. Applicant shall continue the use of the straight-line remaining life method of depreciation and shall submit to the Commission depreciation reviews at five-year intervals or whenever major changes of plant occur. For the year 1968 applicant shall apply the depreciation rates set forth in Table B of the staff report, Exhibit No. 2, and shall continue to use these rates until further review indicates the rates should be changed. The results of such review shall be submitted promptly to the Commission, and upon recognition by the Commission that the new rates are acceptable, applicant shall use such revised rates in recording future depreciation.

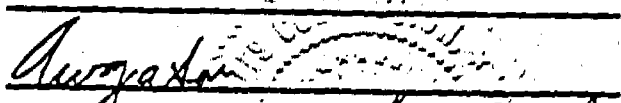
4. Within ninety days after the effective date of the order herein, applicant shall file with the Commission two copies of a revised system map prepared as required by Paragraph I.10.a. of General Order No. 103.

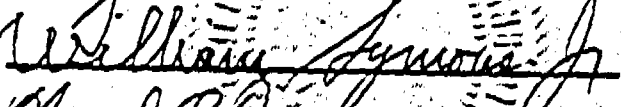
The effective date of this order shall be ten days after the date hereof.

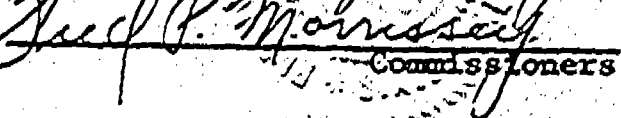
Dated at San Francisco, California, this 19th day of SEPTEMBER, 1967.



President







Commissioners

APPENDIX A

Schedule No. 1

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The subdivision known as Wonder Estates and the Tamarisk Country Club, and vicinity, approximately one mile east of Cathedral City, Riverside County.

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RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 500 cu.ft. or less	\$ 2.15	(I)
Next 4,500 cu.ft., per 100 cu.ft.24	(C)
Next 10,000 cu.ft., per 100 cu.ft.16	
Over 15,000 cu.ft., per 100 cu.ft.14	(C)
 Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 2.15	(I)
For 3/4-inch meter	2.15	(R)
For 1-inch meter	4.50	
For 1 1/2-inch meter	8.00	
For 2-inch meter	15.00	
For 3-inch meter	30.00	
For 4-inch meter	50.00	

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.